

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 EUR-12 IO-13
NSC-05 SS-15 STR-05 CEA-01 /108 R

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APPROVED BY ARA:RARELLANO
EB:AWATSON
AID:WWHEELER
CAR:FTUMMINIA

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R 151946Z OCT 77
FM SECSTATE WASHDC
TO AMEMBASSY PORT OF SPAIN
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY CARACAS
AMEMBASSY GEORGETOWN
AMEMBASSY KINGSTON
AMEMBASSY MEXICO
AMEMBASSY NASSAU
AMEMBASSY PARAMARIBO
AMEMBASSY PORT AU PRINCE
AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L STATE 247722

E.O. 11652:GDS

TAGS: ECON, TD

SUBJECT: PROPOSED PRODUCTION DEVELOPMENT CORPORATION

REF: PORT OF SPAIN 1348, STATE 229457

1. CARIBBEAN TASK FORCE APPRECIATES MISSIONS' COMMENTS ON
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PRELIMINARY PROPOSAL SENT TO FIELD. FOLLOWING ARE CLARI-
FICATIONS ON POINTS RAISED REFTEL.

A. TARGETS FOR INITIAL FUNDING WERE AS STATED BUT SUBSE-
QUENT DISCUSSIONS HERE SUGGEST THAT TOTALS ARE SOMEWHAT
AMBITIOUS. FUNDING FOR SOME PROJECT PREPARATION COULD
COME FROM INITIAL RESOURCES OF CORPORATION AND LATER FROM

ITS EARNINGS. IN ADDITION SOME DONORS MIGHT PROVIDE SEPARATE GRANT FUNDING FOR PROJECT PREPARATION.

B. FLEXIBILITY TO TAKE MAJOR EQUITY INTEREST IS RESPONSE TO NATIONALISTIC FEELINGS IN CARIBBEAN. WE WOULD HOPE GOVERNMENTS WHICH NOW REQUIRE MAJOR GOVERNMENTAL OR DOMESTIC PARTICIPATION IN NEW INVESTMENTS WOULD MODIFY THEIR RULES TO COUNT EQUITY HELD BY THIS REGIONAL GOVERNMENTAL CORPORATION AS EQUIVALENT TO HOLDINGS OF THEIR GOVERNMENT. THERE WOULD BE PROVISIONS FOR EVENTUAL SALE OF CORPORATION

EQUITY POSITIONS TO HOST GOVERNMENTS OR CITIZENS OF HOST COUNTRY INCLUDING WORKERS OR COOPS. THUS THIS MAJOR EQUITY ELEMENT IS WAY TO PROMOTE JOINT ENTERPRISES WITH REGIONAL PARTNER SEEN BY PRIVATE FOREIGN INVESTORS AS DESIRABLE WHILE OVERCOMING PROBLEM OF FINDING LOCAL INVESTORS WITH SUFFICIENT CASH TO TAKE LARGE INITIAL EQUITY.

C. ROLE OF CORPORATION IN MANAGEMENT WOULD BE WORKED OUT ON CASE BY CASE BASIS. IN GENERAL WHERE IT HAD MAJOR EQUITY IT WOULD WANT TO BE ABLE FOLLOW PROGRESS OF FIRM CLOSELY BUT WOULD NOT BE EQUIPPED TO PLAY ROLE IN DAY-TO-DAY MANAGEMENT.

D. THIS PARTICULAR PROPOSAL HAS NOT YET BEEN DISCUSSED WITH US BUSINESS PENDING SOME INPUT FROM REGION. SOME US CONFIDENTIAL

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BUSINESSES, PARTICULARLY THE LARGEST MULTILATERALS, STRONGLY INSIST ON OWNING ALL EQUITY OF OVERSEAS OPERATIONS. WE SEE THE CORPORATION DIRECTED PRIMARILY TO JOINT VENTURES WITH SMALL US ENTERPRISES AND TO VENTURES WITH LOCAL INVESTORS. MEDIUM AND SMALL INVESTORS, US AND FOREIGN, TEND TO WELCOME SOURCES EQUITY FINANCING.

E. THE CORPORATION WOULD NOT TRY TO MAXIMIZE ITS PROFITS BUT WOULD USE PROFITS FOR DEVELOPMENT PURPOSES SUCH AS PROJECT PREPARATION. WHERE IT TOOK EQUITY PARTICIPATIONS IT WOULD EXPECT THE ENTERPRISE TO EARN PROFITS AND IT WOULD EXPECT A REASONABLE GAIN WHEN IT SOLD ITS SHARES IN PROFITABLE ENTERPRISES.

F. WE WOULD EXPECT THE CORPORATION TO BE A LENDER OF LAST RESORT. WHERE A NATIONAL DEVELOPMENT OR COMMERCIAL BANK WOULD FUND THE PROJECT, THE CORPORATION WOULD NOT ENTER THE PICTURE. LARGER PROJECTS MIGHT STILL GO TO THE IFC. HOWEVER, SOME MEMBERS TASK FORCE BELIEVE INSUFFICIENT FUNDS ARE AVAILABLE FROM EXISTING SOURCES IN REGION; OTHERS ON TASK FORCE ARGUE IT HAS NOT BEEN ESTABLISHED THAT FUNDS ARE INSUFFICIENT FOR GOOD PROJECTS IN COUNTRIES THAT

MAINTAIN FAVORABLE INVESTMENT CLIMATE. ADDITIONAL STUDY NEEDED ON THIS POINT AND FIELD INPUT WELCOME. NORMALLY IDB AND IBRD LEND ONLY TO DEVELOPMENT BANKS AND NOT TO INDIVIDUAL ENTERPRISES. FOR THE CARIBBEAN THE CORPORATION WOULD BE SIMILAR TO NATIONAL DEVELOPMENT BANKS TO WHICH IBRD AND IDB REGULARLY LEND.

G. WITHIN A COMMON MARKET SUCH AS CARICOM, TARIFF CONCESSIONS COULD BE PROVIDED TO ENTERPRISES RECEIVING FINANCING. COUNTRIES NOT MEMBERS OF A GATT RECOGNIZED TRADING AREA COULD REFRAIN FROM PLACING QUANTITATIVE OR

OTHER RESTRICTIONS ON SUCH PRODUCTS. THIS IS ALSO SUBJECT FOR ADDITIONAL STUDY. ON ONE HAND SOME PROJECTS WILL BE CONFIDENTIAL

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FEASIBLE ONLY WITH STRONG ASSURANCE REGIONAL MARKET WOULD BE OPEN; ON OTHER HAND SIGNIFICANT PROTECTION FROM WORLD-WIDE COMPETITION WOULD BE CONTRARY US TRADE POLICY FOR NON-MEMBERS CARICOM AND WOULD TEND TO RAISE DIFFICULT ECONOMIC AND POLITICAL PROBLEMS INCLUDING EQUITABLE SHARING BENEFITS AND COSTS. WE BELIEVE WE SHOULD TRY TO GET GOVERNMENTS IN AREA TO ADDRESS THIS ISSUE BUT SHOULD NOT PREJUDGE US OR THEIR POSITIONS.

2. WE WISH TO EMPHASIZE THAT THIS PROPOSAL IS STILL INTERNAL US DISCUSSION PAPER. ADDITIONAL STUDY AND CONSULTATIONS WITH OTHER DONORS AND RECIPIENTS WILL BE NECESSARY TO DETERMINE THEIR PERCEPTIONS AS TO WHAT IS REQUIRED TO CREATE NEW PRODUCTIVE ENTERPRISE AND EMPLOYMENT. WE ARE NOT COMMITTED TO ANY SPECIFIC APPROACH AT THIS TIME. VANCE

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Message Attributes

Automatic Decaptioning: X
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Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
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Litigation History:
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